EXECUTIVE SUMMARY

SHORT-TERM RENTALS IN NEW HAMPSHIRE:
AN ANALYSIS OF DATA FROM 2014 - 2023

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SHORT-TERM RENTALS IN NEW HAMPSHIRE: AN ANALYSIS OF DATA FROM 2014 - 2023

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EXECUTIVE SUMMARY

With the growth in popularity of short-term rentals (STRs) offered online by companies such as Airbnb and Vrbo, community concerns about their impact also have grown over the past 10 years. These concerns include their effect on the availability of long-term rentals, disruptions to neighborhoods by those staying in STRs, and long-distance or absentee hosts. To better understand these issues, NH Housing used AirDNA data from 2014 - 2023 to examine the relative proximity of hosts to their properties and the impact of short-term rentals on housing availability in New Hampshire communities.

DATA AND METHODS

The study referenced three sources of data to examine both the short-term rental market and its impact on the overall housing market. In April 2022, NH Housing acquired the use of data from AirDNA, a provider of data and analytics from Vrbo and Airbnb. This diverse set of metrics provided a comprehensive picture of the short-term rental market. The second data source used in this study is NH Housing's annual Residential Rental Cost Survey. The rent survey reports provided high-quality data on the state's rental market. The third source of data was the U.S. Census Bureau's American Community Survey, which provided insight into every aspect of the analysis, from the STR market to the overall housing market.

This study focused on data from 2014, 2021 and 2023. Any metric using demographic data referenced only the time frames of 2014 and 2021. This is because the most recent release of American Community Survey five-year estimates was in 2021. The year 2014 was used because it is the first year of the acquired AirDNA data.

Regression analysis was used as a way of mathematically evaluating the relationship between the prevalence of short term rentals in a given area and various indicators of the housing market in that same area.

LIMITATIONS

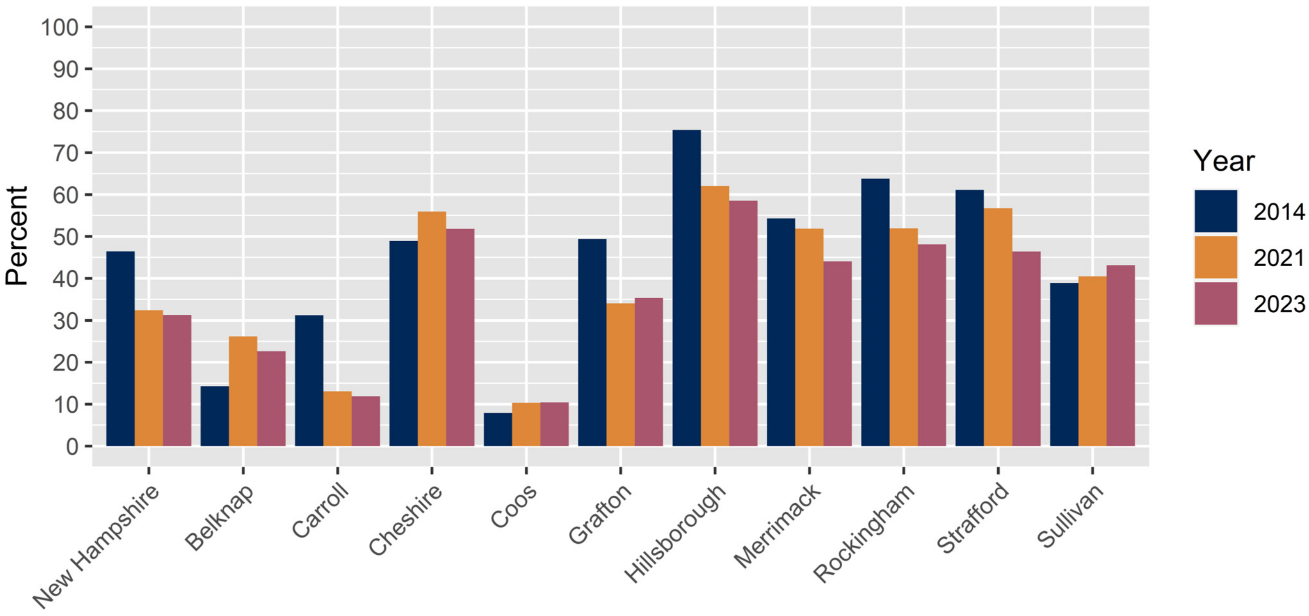
There are three major sources of uncertainty in this study. Firstly, some municipalities are not large enough to have reliable statistics from the ACS. When one variable is missing, the whole municipality is excluded from the regression calculation and visualizations.

The second limitation comes from the primary residence location of hosts. A significant minority of hosts do not list where they are from. Thus, this study assumes that the unknown locations of hosts follow the same distribution of known locations and that the percentage of hosts listing inaccurate primary residences is negligible.

The third limitation is found in the differentiation between investment properties and secondary residences. Two factors could result in misclassification: (1) a host could list one property under multiple listings and (2) some hosts may not accurately block off all the time they are spending at their property by manually accepting or declining requests, instead of pre-blocking dates. These two practices would interfere with the study's method of categorizing properties. Therefore, it is possible that the share of properties that are investments, rather than secondary residences, could be lower than these data indicate. Determining the degree to which this is true was not possible within the scope of this analysis.

The study is primarily useful for making policy at the state or regional levels. On the local level, the short-term rental market ranges substantially from community to community.

FIGURE 1 • Percent of STR Units Owned by Hosts Living in the Same Municipality



HOW LOCAL ARE STR HOSTS?

From loud gatherings to improper trash disposal, community members have expressed concern that hosts aren't local enough to respond to problems on STR properties. The study found that it is rare for hosts to live on the same premises as the guest. Whether the guest is staying in a guest room or elsewhere on the same property, only 1.4% of hosts live on premises. However, it is common for hosts to live in the same municipality as their STR property. Almost one-third (31.3%) of STRs statewide are owned by hosts who live in the same municipality as the property. This percentage is far lower in Belknap (22.6%), Carroll (11.9%), and Coos (10.4%) counties (*Figure 1*).

Forty-six percent of STR properties in New Hampshire are owned by hosts who live in the same county as their property. In this case, only Carroll (31.6%) and Coos (21.5%) counties are well below the statewide average.

Expanding on this, 56.4% of STRs in New Hampshire are owned by NH-based hosts and 78.3% are owned by New England-based hosts (*Figure 2, Figure 3*).

ARE INTERNATIONAL INVESTORS BUYING UP LARGE NUMBERS OF STRS?

Related to concerns about the "localness" of hosts and absentee owners, *Figure 4* shows that there are few international investors in New Hampshire STRs.

Among New Hampshire STRs, 96.3% are owned by U.S.-based hosts (*Figure 4*). Furthermore, 98.7% of the revenue generated by New Hampshire STRs went to U.S.-based hosts.

FIGURE 2 • Percent of STR Units Owned by Hosts Living in New Hampshire

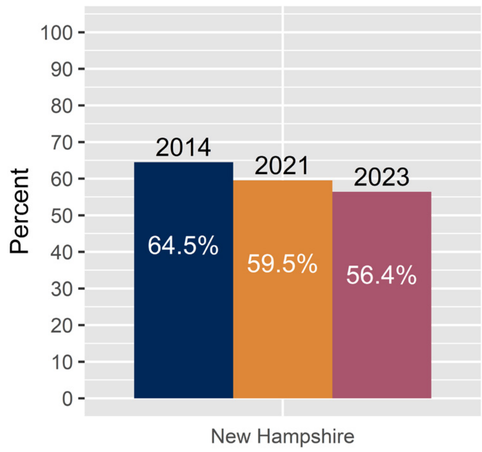


FIGURE 3 • Percent of STR Units Owned by Hosts Living in New England

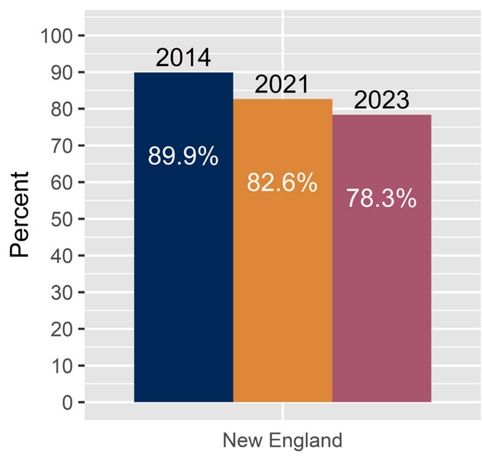
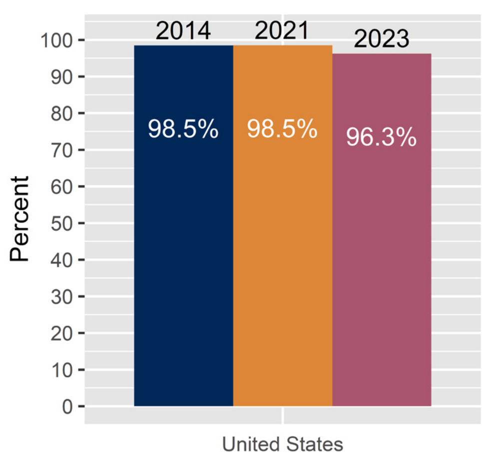


FIGURE 4 • Percent of STR Units Owned by U.S.-based Hosts



MEASURING THE IMPACT OF STRS

The most important claims to evaluate were that the rise of online short-term rentals has caused rents to increase and vacancy rates to decrease.

To test these claims, regression analysis was used to compare the increase in STRs to changes in median rents and vacancy rates between 2014 and 2021. Conclusions are limited to the time period indicated and may not predict future changes.

Impact on Median Rents. The study found that it was highly unlikely that changes in short-term rentals were related to the rise in median rents seen from 2014 to 2021. This was the case for two different sources of median rent data – both New Hampshire Housing's Residential Rental Cost Survey and the American Community Survey.

Using regression analysis, no relationship was found between an increase in short-term rentals and median rent. Further, the analysis was performed for the state overall and in each county individually, and no relationship was found in any case.

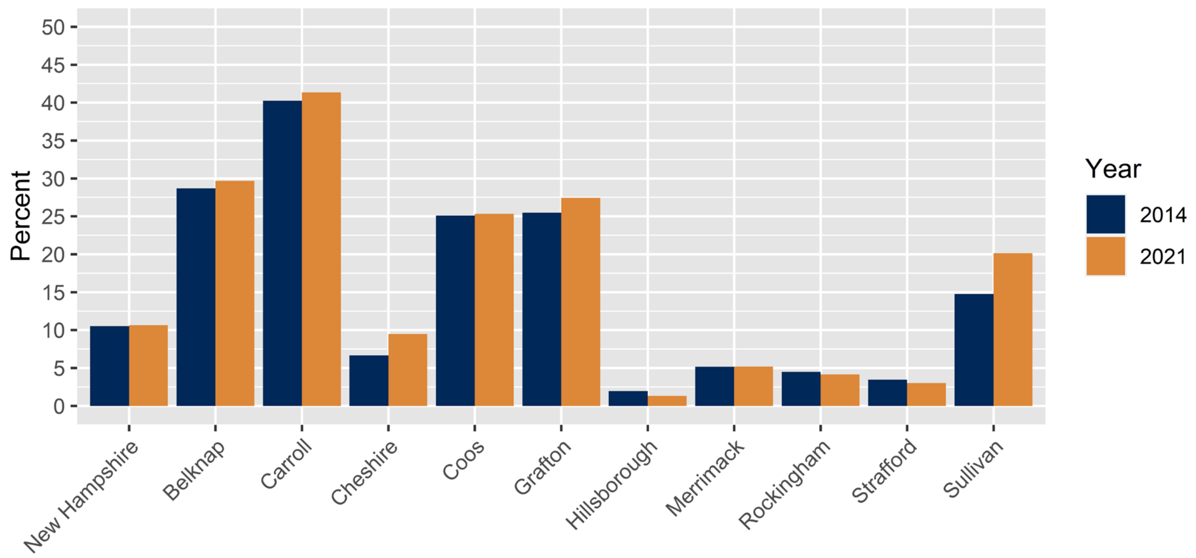
Impact on Vacancy Rates. The analysis found that short-term rentals did influence vacancy rates. Roughly 14% to 23% of the decrease in rental vacancy rates from 2014 to 2021 can be attributed to an increase in STRs over that period.

That range comes from R-squared scores from two regression analyses. Both used the same dependent variable – the percent change in vacancy rate – but two different independent variables that both represent the increase in STRs. The first was the change in STRs as a share of total housing units. The second was the change in STRs per 1,000 people.

Put in context, that means that according to one metric, STRs explained 14% of the decrease in vacancy rates, and according to the other, STRs explained 23% of the change in vacancy rates.

Therefore, it is reasonable to conclude that the increase in online STRs resulted in a decrease in vacancy rates between 2014 and 2021.

FIGURE 5 • Share of Housing Units for Recreational or Seasonal Use



WHAT'S THE SOURCE OF NEW STRS?

The question of where new STRs come from relates strongly to their purported impact on long-term housing inventory. Some claim that the increase of online STRs on platforms like Airbnb or Vrbo is simply the result of existing short-term rentals and seasonal second homes being listed on a consolidated platform. This claim suggests that short-term rentals already constituted a significant portion of New Hampshire's housing market and people are taking greater notice now that they are marketed through easily accessible online platforms.

A different claim is that the increase in online STRs comes from the conversion of long-term rental housing. Given the results of regression analysis of rental vacancy rates, one might assume that this is, in fact, the case.

However, from 2014 to 2021, the share of all housing units in the state classified as seasonal, recreational or occasional use (SROs) by the U.S. Census Bureau has remained roughly the same. Other than Sullivan County, no New Hampshire county has seen more than a 2% increase in the share of units that are SROs (*Figure 5*).

In summary, the majority of properties listed on Airbnb, Vrbo, and similar sites were already short-term rentals or seasonal units. However, a small number of STRs statewide come from the long-term rental stock, and this may impact some communities more than others.

CONCLUSIONS

This study makes the following findings:

- Almost half of STRs statewide were owned by hosts who lived in the same county as the property and one-third lived in the same town, though this varied widely from place to place.
- There have been no widespread acquisitions and conversions of properties to STRs by foreign investors.
- The increase in STRs was not found to have had a statistically significant effect on statewide median rent levels.
- STRs have had a minor but statistically significant impact on the statewide rental vacancy rate.
- The majority of properties listed on Airbnb, Vrbo, and similar sites were already short-term rentals or seasonal units.

Because these findings are based on an analysis of data collected over the past decade, they may not be predictive of the impact of STRs on New Hampshire's housing market in the coming years.

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